


## BOOK REVIEW

***Competition in European Electricity Markets: A Cross-Country Comparison***, edited by JEAN-MICHEL GLACHANT and DOMINIQUE FINON, (Edward Elgar Pub.: Cheltenham, UK, and Northampton, MA, USA, 2003), 367 pages, ISBN 1 84376 178 5.

 The restructuring of electricity markets is a fascinating topic because of the large variety of approaches and the uncertainty of outcomes. It is hard to capture the changes in this industry in a book, which by necessity is lagging behind the developments. The current book demonstrates this at many instances. It originally resulted from a conference in 1998, but the papers were updated three times before publication and already new developments have gone much further. Nevertheless, the book is well worth reading because it not only takes a momentary snapshot, but provides background as well as analysis of the developments that make the reader understand why things are happening and where they are likely to go.

The chapters of this volume cover developments toward competition in electricity markets in most of the western European countries, leaving out the former socialist countries of the East. Although it is not restricted to the EU, the influence of the EU directives abounds even in outside countries such as Switzerland. The book is very readable because of the large differences between the countries and because the authors highlight different aspects. At the same time, the variety of styles and approaches prevents the reader from making easy comparisons among the countries. The editors provide some helpful comparison in the introduction. What is missing is a more extensive description and analysis of the EU framework for the electricity sector. As it stands, the unfamiliar reader has to extract this information from the various chapters.

Besides the Introduction, the book contains 13 chapters in three parts, addressing geographic regions with somewhat similar issues and approaches. Part I deals with “The British and Scandinavian Pioneers” as countries that have been at the forefront of electricity market reforms. These chapters provide particularly interesting insights because the reforms in these countries are furthest advanced and the accumulated experience is most reliable. This part ends with an interesting theoretical chapter on strategic incentives for access price discrimination under access price caps with a single basket. Part II begins with “Competition and Market Power in Northern Europe,” but otherwise deals with “The Making of Electricity Markets in Western Central Europe,” which refers to Germany, Austria and Switzerland. These are countries with intermediate reform experience. They have fairly little in common besides the German language and an extensive amount of electricity trade. In many respects, Germany is quite different from

any other country treated in this volume. Germany never had a single national champion in electricity, public ownership has been quite limited, and there was little regulation. Until now, Germany has not introduced stringent regulation at any level, including transmission access. This is about to change, but that is not yet covered in this volume. Nevertheless, Germany has already experienced substantial restructuring due to market opening and ownership changes. In addition, the two large German utilities RWE and E.ON have become active participants in other countries.

Part III on “The Making of Electricity Markets in Southern Europe” addresses countries that have the continuing presence of large national champions in common even if, like Belgium and France, they do not ordinarily count as southern European. These countries are particularly interesting because competition does not come naturally to them and because of the different ways they have been dealing with this problem. All of these countries are substantially behind the leaders analyzed in Part I. Therefore the results of reforms are somewhat speculative. This problem is very thoughtfully exposed in the chapter on France, which provides for two possible future scenarios, one with a continued but somewhat contestable monopoly state and one with limited actual competition.

Overall, this book provides a wealth of information and interesting analyses. For me, as a German living in the US, the details about some countries were eye openers about exciting developments during my absence. I was intrigued by the variety of approaches and would hope that this book finds many readers from inside as well as outside Europe.

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